

AMENDED IN ASSEMBLY MARCH 29, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2481**

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**Introduced by Assembly Member Morrell**

February 24, 2012

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An act to amend Section ~~5003~~ 16522 of the Government Code, relating to ~~bonds~~ *financial institutions*.

LEGISLATIVE COUNSEL'S DIGEST

AB 2481, as amended, Morrell. ~~Public bonds~~. *Financial institutions*.

*Existing law requires banks to deposit specified securities, which include, among other things, specified letters of credit issued by the Federal Home Loan Bank of San Francisco, with the Treasurer in order to be eligible to receive and retain demand or time deposits of state funds.*

*This bill would instead include letters of credit issued by any Federal Home Loan Bank.*

~~Existing law regulates the issuance of public bonds and obligations. Existing law provides for the registration of public bonds, after which the principal and interest of the bond is payable to the registered owner.~~

~~This bill would make a technical, nonsubstantive change in these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 16522 of the Government Code is  
2     amended to read:

1 16522. The following securities may be received as security  
2 for demand and time deposits:

3 (a) Bonds, notes, or other obligations of the United States, or  
4 those for which the faith and credit of the United States are pledged  
5 for the payment of principal and interest, including the guaranteed  
6 portions of small business administration loans, so long as those  
7 loans are obligations for which the faith and credit of the United  
8 States are pledged for the payment of principal and interest.

9 (b) Notes or bonds or any obligations of a local public agency  
10 (as defined in the United States Housing Act of 1949) or any  
11 obligations of a public housing agency (as defined in the United  
12 States Housing Act of 1937) for which the faith and credit of the  
13 United States are pledged for the payment of principal and interest.

14 (c) Bonds of this state or of any county, city, town, metropolitan  
15 water district, municipal utility district, municipal water district,  
16 bridge and highway district, flood control district, school district,  
17 water district, water conservation district or irrigation district within  
18 this state, and, in addition, revenue or tax anticipation notes, and  
19 revenue bonds payable solely out of the revenues from a  
20 revenue-producing property owned, controlled or operated by this  
21 state, or such local agency or district, or by a department, board,  
22 agency, or authority thereof.

23 (d) Registered warrants of this state.

24 (e) Bonds, consolidated bonds, collateral trust debentures,  
25 consolidated debentures, or other obligations issued by the United  
26 States Postal Service, federal land banks or federal intermediate  
27 credit banks established under the Federal Farm Loan Act, as  
28 amended, debentures and consolidated debentures issued by the  
29 Central Bank for Cooperatives and banks for cooperatives  
30 established under the Farm Credit Act of 1933, as amended,  
31 consolidated obligations of the Federal Home Loan Banks  
32 established under the Federal Home Loan Bank Act, bonds,  
33 debentures and other obligations of the Federal National Mortgage  
34 Association and of the Government National Mortgage Association  
35 established under the National Housing Act as amended, in the  
36 bonds of any federal home loan bank established under said act,  
37 bonds, debentures, and other obligations of the Federal Home Loan  
38 Mortgage Corporation established under the Emergency Home  
39 Finance Act of 1970, and in bonds, notes, and other obligations

1 issued by the Tennessee Valley Authority under the Tennessee  
2 Valley Authority Act, as amended.

3 (f) Bonds and notes of the California Housing Finance Agency  
4 issued pursuant to Chapter 7 (commencing with Section 41700)  
5 of Part 3 of Division 31 of the Health and Safety Code.

6 (g) Promissory notes secured by first mortgages and first trust  
7 deeds upon residential real property located in California, provided  
8 that:

9 (1) Notwithstanding Section 16521, the promissory notes shall  
10 at all times be in an amount in value at least 50 percent in excess  
11 of the amount deposited with the bank;

12 (2) The Treasurer issues regulations, establishes procedures for  
13 determining the value of the promissory notes and develops  
14 standards necessary to protect the security of the deposits so  
15 collateralized;

16 (3) The depository may exercise, enforce, or waive any right or  
17 power granted to it by promissory note, mortgage, or deed of trust;  
18 and

19 (4) The following may not be used as security for deposits:

20 (i) Any promissory note on which any payment is more than 90  
21 days past due,

22 (ii) Any promissory note secured by a mortgage or deed of trust  
23 as to which there is a lien prior to the mortgage or deed of trust,  
24 or

25 (iii) Any promissory note secured by a mortgage or deed of trust  
26 as to which a notice of default has been recorded pursuant to  
27 Section 2924 of the Civil Code or an action has been commenced  
28 pursuant to Section 725a of the Code of Civil Procedure.

29 (h) Bonds issued by the State of Israel.

30 (i) Obligations issued, assumed, or guaranteed by the  
31 International Bank for Reconstruction and Development, the  
32 Inter-American Development Bank, the Asian Development Bank,  
33 the African Development Bank, the International Finance  
34 Corporation, or the Government Development Bank of Puerto  
35 Rico.

36 (j) Any municipal securities, as defined by Section 3(a)(29) of  
37 the Securities Exchange Act of June 6, 1934, (15 U.S.C. 78, as  
38 amended), which are issued by this state or any local agency  
39 thereof.

(k) Letters of credit issued by ~~the~~ a Federal Home Loan Bank of San Francisco, which shall be in the form and shall contain provisions as the Treasurer may prescribe, and shall include the following terms:

(1) The Treasurer shall be the beneficiary of the letter of credit.

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Treasurer may draw upon it up to the total amount in the event of the failure of the bank or if the bank refuses to permit the withdrawal of funds by the Treasurer or any other authorized state officer or employee.

~~SECTION 1. Section 5003 of the Government Code is amended to read:~~

~~5003. After a bond is registered, the principal and interest of the bond are payable to the registered owner.~~